

Priorities of Government Priorities of DSHS

Budget strategies for 2005-07 *to modernize, to sustain partnerships and to break destructive cycles*

The state of Washington faced a serious budget crisis last biennium. The Governor, the Legislature, and citizens had to decide how to handle a revenue shortfall of \$2.6 billion. Through a process of clearly setting priorities for activities that were primary, coupled with meaningful innovation, and often real sacrifice, this state was able to provide essential services. But it has not been an easy path. For many clients of DSHS, it has sometimes been especially difficult as some services were reduced or eliminated.

While the Governor and the Legislature are not facing as severe a shortage of revenue as in 2003 (a shortfall of over \$1 billion for the 2005-2007 biennium), the state's economic recovery will not bring in enough additional revenues to fully fund all existing services since client caseloads and the costs of medical care for clients are projected to increase.

For the past six years, some critical needs of DSHS clients and service providers have not been addressed because of the state's economic challenges. We believe this is the appropriate time to identify for decision makers the gaps in the safety net as well as key strategy choices for meeting the needs of Washington's vulnerable, medically fragile and economically dependent residents.

As a result, we have presented to the Office of Financial Management and the Governor's Office a budget proposal that, if funded by the Legislature and the Governor, would result in:

- ◆ **Carefully considered strategies and research-based and evidence-based pro-**

grams designed to break unhealthy and destructive cycles through early intervention and to help at-risk children and youth succeed and remain in school. Options total \$340.5 million.

- ◆ **Rate increases needed by our community and business partners** to provide quality services to clients. Options total \$335 million.

- ◆ **Needed investments to modernize aging technology systems** to better serve clients, to better manage tax dollars and to improve business relationships with private and community service providers. Options total \$122.5 million.

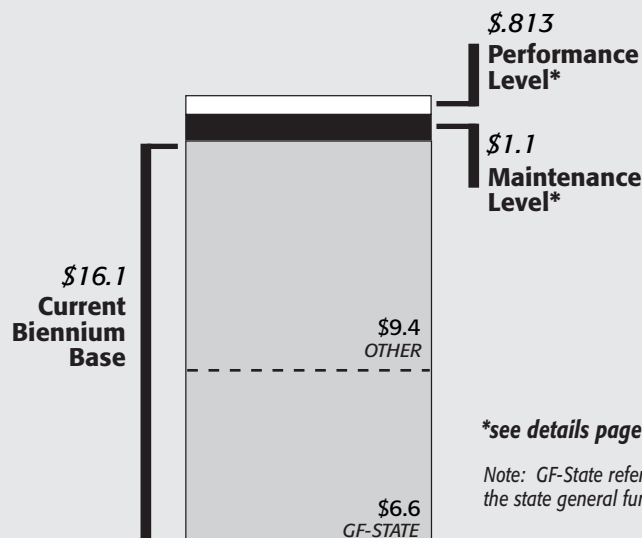
We have presented to decision makers strategies for effective, research- and evidenced-based service delivery approaches. These ap-



Lucy Mack found a home in foster care when she was just four months old. With help from caring foster families and extended family members, she graduated with honors from Kettle Falls High School, earned scholarships and attends Eastern Washington University.

DSHS Budget Strategies Proposal

September 2004 • Submitted to OFM • \$ in Billions



Priorities of DSHS

proaches have been proven to work when provided early in a client's life before the client and the family problems become more complex and require more costly interventions and services.

Although these changes require additional spending up-front, they have a payoff for the state, holding down costs and consequences for our clients and communities.

Major changes also must be made in response to reductions in federal funding, changing federal oversight standards, increasingly stringent state laws, and advances in service delivery.

Improving the lives of children and youth at risk

◆ **Kids Come First Phase II:** \$35.9 million GFS/\$49.8 million all funds: More children are requiring help from the state as more families struggle with substance abuse, poverty, and mental illness. These proposed major program changes are based on social work practices that have been proven effective and will make a meaningful difference in the lives of our next generation. Improvements include achieving accreditation of all 44 Child and Family Services offices, plus meeting the high standards set by the federal review of the child welfare system. It also includes improvements agreed to in the Braam foster care settlement.

◆ **Reinstating children's medical coverage:** \$12.5 million: In 2002, Washington State eliminated a state-funded program that provided medical assistance to about 25,000 low-income immigrants and children in undocumented families. The Legislature's intent was to transition this population to Basic Health, but despite a heavy investment of outreach and technical assistance, most of the children once covered by this program are now uninsured. DSHS is proposing the restoration of state-funded medical assistance to Medicaid-ineligible, non-citizen children in families with incomes below 100 percent of the federal poverty level (\$18,400 for a family of four). This additional expense is a long-term savings, since the state's health-care providers and institu-

tions will have to serve this population on a more expensive, crisis-centered basis that will only worsen as these children fail to receive preventive and ongoing health care.

◆ **Supporting evidenced-based treatment models for juvenile offenders:** \$4.8 million: Add quality assurance staff and pro-

cesses to the evidence-based Integrated Treatment Model that focuses on reducing recidivism of juvenile offenders, and the Functional Family Parole model that aims to reduce repetitive criminal behavior by providing a minimum of 20 weeks of parole supervision for all youth released from Juvenile Rehabilitation Administration (JRA) residential facilities.

Strategy highlights: Children and youth at risk

Transformational Strategies & Program Redesign

- Kids Come First Phase II
- Reinstating children's medical coverage
- Support evidenced-based treatment models for juvenile offenders
- Improve child care and early learning

Modernizing Aging Technology

- Automate the inefficient paper file case management system for juvenile rehabilitation
- Modernize the Children's Administration Case Management Information System

Sustaining Community & Business Partnerships

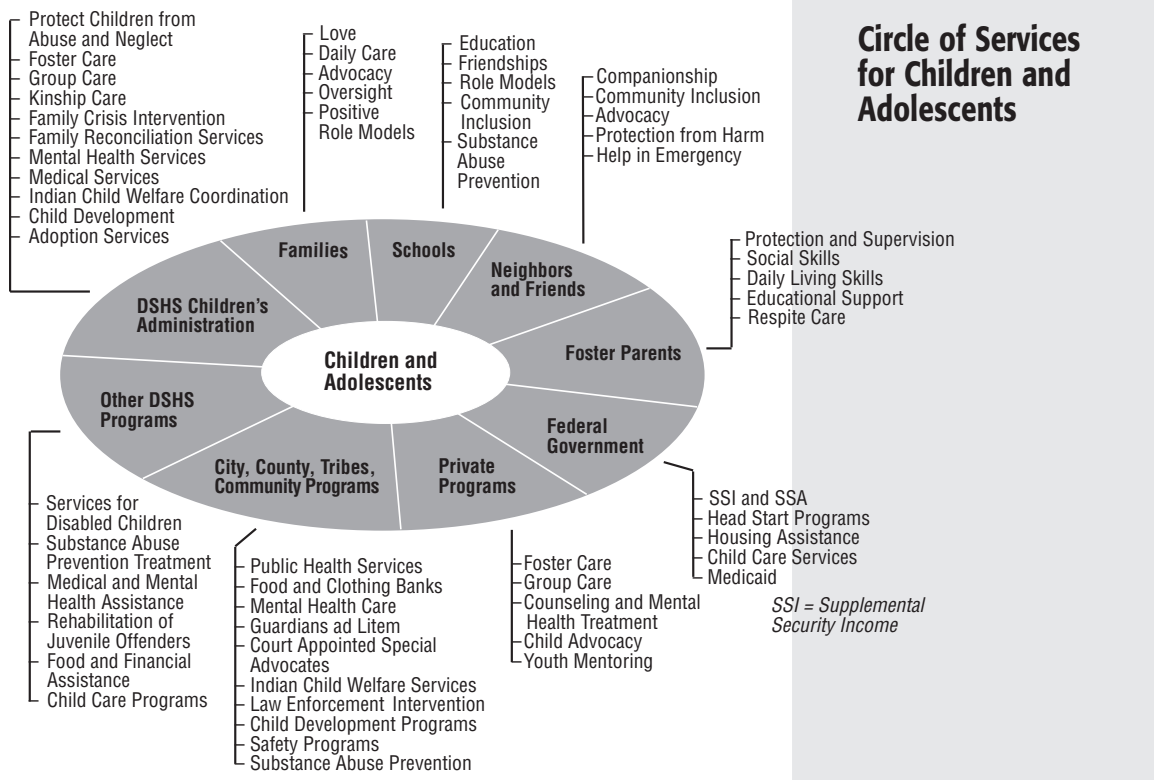
- Rate increase to sustain a child care provider network to help families stay off welfare

Savings for Every Dollar Spent in juvenile rehabilitation integrated strategies

• DIALECTICAL BEHAVIOR THERAPY	\$38.05
• MENTORING	\$7.86
• AGGRESSION REPLACEMENT TRAINING	\$12.60
• FUNCTIONAL FAMILY THERAPY	\$7.69

SOURCE: WASHINGTON STATE INSTITUTE OF PUBLIC POLICY

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◆ **Automate the inefficient paper file case management system:** \$2.5 million: Convert the existing client tracking system used by the Juvenile Rehabilitation Administration from an outdated database to an automated system by 2007.

◆ **Improve child care and early learning for families working toward self-sufficiency:** \$3.5 million: A tiered reimbursement system would allow DSHS to offer incentives to child care homes or centers. To qualify for higher reimbursement, providers would maintain a 25 percent enrollment of DSHS client families who are working toward self-sufficiency.

◆ **Modernize the Children's Administration Case Management Information System:** \$14 million GFS/\$20 million all funds: Upgrade the outdated and inadequate Children's Administration Management Information System (CAMIS) to meet the increasing demands. This is critical to monitoring the success of Kids

Come First Phase II through better case and outcome tracking.

◆ **Business partner rate increases:** Working Connections Child Care is a state program that helps families with children pay for child care while they work, or search for work, or are in state-approved training. Families with incomes under 200 percent of the Federal Poverty Level qualify. Parents who receive a subsidy are required to help pay for child care with a co-payment. State funds also pay for care for young children who are placed in foster homes with working parents when their birth families cannot or will not care



for them. The DSHS "maintenance level" (see chart page 5 for explanation) budget for 2005-07 includes \$49.7 million in increased child care payments in Working Connections and \$3.1 million in increased payments for children whose foster parents work outside the home. Provider rates have not been raised since January 2002 and the proposed increase is necessary to meet the federal funding requirement of providing access to families using child care subsidies.

In addition, DSHS proposes two enhancements for child care provider rates:

- ◆ \$3.5 million to create a tiered reimbursement structure that compensates providers who achieve established performance standards.
- ◆ \$10 million to increase compensation for child care services during evenings and weekends.

Photo courtesy of Family Policy Council

Priorities of DSHS

Breaking the cycle through early intervention

The state is paying more for the long-term consequences of substance abuse than it would pay for intervention and treatment. Some chemically dependent individuals use tens to hundreds of thousands of dollars worth of crisis services each year. Many times they are not effectively treated and managed, so they end up in a revolving door of emergency room visits, hospitalizations, jail, detoxification, and emergency services. Substance abuse is pervasive in families needing state care and assistance. The cost to state government of untreated substance abuse is enormous.

- ◆ **Bridging the Treatment Gap – Expanding services to provide more chemical dependency treatment for adults and youth:** \$58.5 million GFS/\$84.4 million all funds: Nearly 69 percent of medically eligible adults and over 76 percent of youth in need of treatment do not receive chemical dependency treatment. Treatment reduces medical and psychiatric

Strategy highlights: *Breaking the cycle*

Transformational Strategies & Program Redesign

- Bridging the treatment gap: Expanding services to provide more chemical dependency treatment for adults and youth & to make kids successful in school
- Cross System Crisis Initiative
- Mental Health Community Based Care
- Medicaid Integration Partnership

costs by over \$232 per month per client; emergency room visits are reduced by up to 48 percent. Treatment increases employment, reduces child abuse referrals, reduces crime and criminal justice costs for both youth and adults due to large reduction in arrests. Providing treatment for youth reduces school dropout and delinquency, and improves academic performance among middle and high school students.

- ◆ **Cross System Crisis Initiative:** \$13.1 million/\$18.2 million all funds: By combining the efforts of four divisions within two administrations, the Cross System Crisis Initiative seeks to create efficiencies for

mental health and chemical dependency crisis responders, to develop targeted diversion and short-term detention options, and to develop appropriate resources to keep individuals from needing costly state hospital settings.

- ◆ **Mental Health Community Based Care:** In support of the Cross System Crisis Initiative, calls for a transfer of some funding from state psychiatric hospitals to the community where strategies would be developed to intervene early to help people manage their mental health issues in the community and not deteriorate to the point that they need institutionalization. This strategy also calls for the transition of long-term patients into community settings, and less reliance on costly and more restrictive state hospitals.

The chemical dependency treatment gap:

- **76% of youth** are not able to get treatment
- **69% of adults** also cannot get treatment

People who get treatment:

- Stay in school
- Stay out of trouble
- Join the work force
- Have a better future
- Create strong families
- Nurture their children

Medicaid Cost Offset

For clients on Supplemental Security Income, there is a savings (cost offset) of \$154 per month for those who have received chemical dependency treatment.

UNTREATED
Emergency Room Visits
\$442

\$154
Cost Savings
35% REDUCTION

TREATED
Emergency Room Visits
\$228

- ◆ **Medicaid Integration Partnership:** This pilot program in Snohomish County will, for the first time, bring together different Medicaid-funded programs - medical assistance, long-term care, mental health treatment, and chemical dependency services. Also, see page 7.

Priorities of DSHS

Sustaining & strengthening Washington's nationally recognized system of long-term care

◆ **Crisis Response:** \$9.2 million GFS/\$18.5 million all funds: Washington's long-term care system lacks facilities to house and properly care for individuals whose medical or mental health requirements exceed current standards for licensed facilities. In support of Cross System Crisis Initiative (page 4), DSHS proposes creation of community-based bed capacity for emergency care in an intensive crisis management setting in order to stabilize clients so they do not progress to needing more costly treatment in hospitals or institutions.

◆ **Specialized Dementia Care:** \$2.4 million GFS/\$4.8 million all funds: There is a growing need for care of people with dementia. A study by the University of Washington found that this program of increased support for people with dementia helps them stay in community settings rather than requiring more in-

tensive care. This proposal funds a phase-in of 200 additional dementia care beds in boarding homes - 100 beds by March 2005 and another 100 beds by March 2007. It also funds Dementia Care Support Services to provide technical assistance, training and consultation for boarding homes that participate.

◆ **Community rates adjustment for the network of care providers:** \$22 million GFS/\$44 million all funds: Washington's system of long-term care for elders and other vulnerable adults depends on a stable network of skilled care providers of services in the home and community residential settings. Providers say it is increasingly difficult to provide services for Medicaid-eligible (low-income) Washing-

ton residents at the rates currently authorized and funded under state law. DSHS proposes a community rates adjustment to sustain and enhance the network of contracted care providers who serve the increasingly complex medical needs of clients.



Photo courtesy of DSHS Aging and Disability Services Administration

Strategy highlights: Long-term care

Transformational Strategies & Program Redesign

- Crisis Response (Cross System Crisis Initiative)
- Specialized Dementia Care

Sustaining Community & Business Partnerships

- Community rates adjustment for the network of care providers

DSHS Budget Strategies Options: September 2004

2005-07 Agency Request submitted to OFM • \$ in Millions

Maintenance Level* OPTIONS \$1.1 BILLION

\$ 71.7	Contracted Provider Rate Changes
47.2	Medical Inflation
53.9	MMIS Reprourement/HIPAA
607.7	Caseload and Workload Growth
100.6	Technical/Maintenance Adj.
334.8	Carry Forward Level

\$ in millions

Performance Level* OPTIONS \$813 MILLION

\$335.0	Contracted Provider Rate Increases
187.5	Program Redesign
153.0	State Only Programs*
122.5	Information Technology Upgrades
15.2	Discreet Program Expansions

*To maintain services in response to federal changes and state laws

* Maintenance Level is the part of the budget that is driven by caseloads, inflation and other structural changes identified by state law.

* Performance Level is the part of the budget that proposes new strategy options for improving or increasing services to the public.

Priorities of DSHS

Caring for people with developmental disabilities

◆ **Comprehensive strategies to serve people with developmental disabilities:** \$22.4 million GFS/\$43 million all funds: The department has a set of six decision packages - the Residential Service Initiative - that addresses the diversity of needs for people with developmental disabilities. The requests concern fostering and supporting appropriate options for living in the community; moving from the residential habilitation centers (RHC) to community living; having supportive living arrangements for those with aging parents who are also their caregivers; and providing appropriate community protection and safety, when necessary. The requests also include provisions for either closing

Strategy highlights: *Developmental disabilities*

Transformational Strategies & Program Redesign

- Residential Care Services Initiative

Sustaining Community & Business Partnerships

- Rate increases for contracted service providers

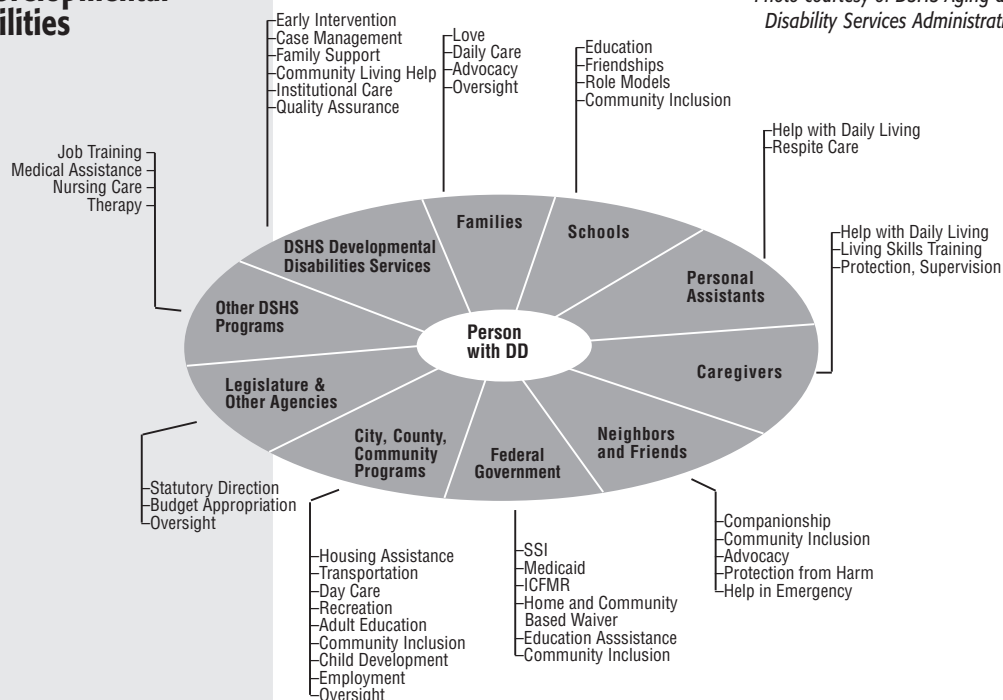
[Fircrest School](#) or funding those repairs and enhancements needed there.

◆ **Business: partner rate increases:** \$3.2 million GFS/\$6.4 million in all funds: DSHS proposes a community rates adjustment to sustain and enhance the network of contracted care providers who serve the increasingly complex medical needs of clients. The intent is to assure stability and continuity of care to Medicaid-eligible clients with developmental disabilities.



Photo courtesy of DSHS Aging and Disability Services Administration

Circle of Services for Developmental Disabilities



Priorities of DSHS

Sustaining Medicaid & being prudent purchasers of health care services

Washington State's Medicaid program strives to be a more prudent purchaser of health-care services despite an annual medical inflation rate of about 12 percent. All of these changes are part of the state's effort to stabilize health-care spending and create a sustainable Medicaid program for the future.

- ◆ **Contain costs and increase accountability:** To shift to more efficient and effective evidence-based decision making, to review and streamline even routine expenditures like medical nutrition programs, to scrutinize all of its billings and institute post-payment review of Medicaid accounts, to switch providers to faster and less expensive electronic billing systems, and to look ahead to cushion the impact of the new Medicare Part D drug coverage on existing state programs.
- ◆ **Medicaid Integration Partnership:** Scheduled to begin next year, this pilot program in Snohomish County will, for the first time, bring together different Medicaid-funded programs - medical assistance, long-term care, mental health treatment, and chemical dependency services, currently handled by different sections of DSHS without central coordination. This integrated approach will improve health outcomes and reduce costs.
- ◆ **Increasing rates to sustain health care partners' ability to deliver services:** \$45.2 million GFS/\$113 million all funds: The state is facing an access crisis in health care in part because the Medicaid program has held down expenditures in the past by eliminating regular rate increases for our business partners. As a conse-

Strategy highlights: *Sustaining Medicaid*

Transformational Strategies & Program Redesign

- Contain costs and increase accountability
- Medicaid Integration Partnership

Modernizing Aging Technology

- Medicaid Management Information System

Sustaining Community & Business Partnerships

- Increasing rates to sustain health care partners' ability to deliver services

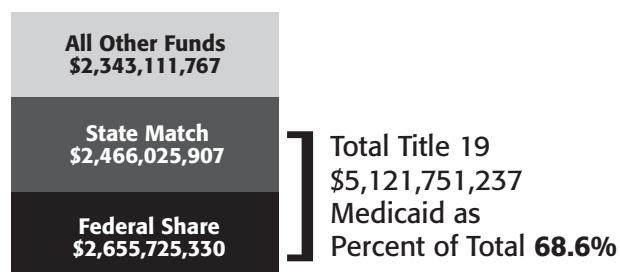
quence, physicians, hospitals and other health-care providers are now threatening to leave the program because the state's reimbursement rates have fallen below the cost of doing business. As providers carry through on these threats, clients will have fewer choices about who they get their care from and how far they must travel to access it.

The state / federal Medicaid program pays for health care for 850,000 low-income Washington residents who have no health insurance. Washington's reimbursement rates for physicians and certain other providers are significantly lower than the rates paid by the federal Medicare program (which serves older Americans). To help sustain physician participation in Washington's Medicaid program and to improve access to physician care for low-income people, DSHS proposes to in-

crease the rates for physician-related services to 75 percent of Medicare rates from an average of 60.

- ◆ **Medicaid Management Information System:** \$5.7 million GFS/\$51 million all funds: Washington is one of 25 states replacing its Medicaid Management Information System (MMIS) this year. The state's 25-year-old legacy system currently handles up to \$13 million in reimbursements a day but is badly outdated; a new computer system will be able to process claims faster and more accurately. Overall, the state estimates a new system will save up to \$8 million a year in higher productivity, through expanded workload, and faster processing times. The federal government has agreed to pay 90 percent of the total cost of the new system, which went out for bids this summer.

69% of all DSHS expenditures go for Medicaid for low-income Washingtonians



Priorities of DSHS

Additional details on the 2005-07 DSHS budget strategies proposal

This briefing paper provides highlights of key strategies contained in the DSHS 2005-07 budget proposal, which was submitted to the Office of Financial Management in September 2004.

These, along with strategies offered by other agencies, will be considered in the context of Gov. Gary Locke's Priorities of Government (POG) process. POG establishes a clear set of results that citizens expect from state government, reprioritizes state spending to focus on services that matter most in achieving those results, and guides the Governor's decisions in proposing a 2005-07 budget for state government to the Legislature.

The Governor has established 11 enterprise-wide Results Teams to recommend priorities and strategies. DSHS participates in four Results Teams: (a) Improve the health of Washington citizens; (b) improve student achievement; (c) improve the security of vulnerable children and adults; (d) improve the safety of people and property.

For information about POG, visit the OFM website at: www.ofm.wa.gov

The full DSHS submittal is available on the DSHS website at:

<http://www1.dshs.wa.gov/budget/Budget0507.shtml>

Here are the numbers at a glance:

◆ **The DSHS base budget**, reflecting decisions of the Legislature and the Governor for the 2003-05 biennium, is \$16.1 billion. Of this, 41 percent is from the state general fund, while 59 percent is from other funds (primarily federal funds). Most of the DSHS budget consists of a mix of state funds and federal matching money.

◆ **The DSHS "maintenance level" budget** for 2005-07 totals \$17.1 billion. "Maintenance level" is that part of the state budget which is driven by caseloads, inflation and other structural changes identified by state law.

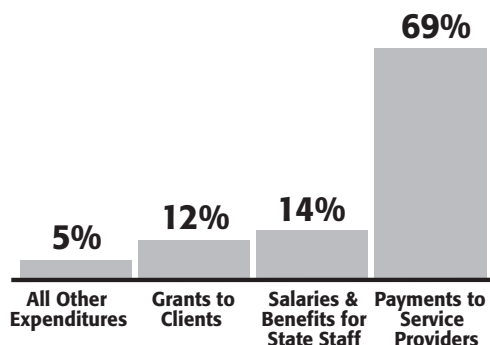
◆ **DSHS also has proposed additional "performance level" strategy options** equating to \$813 million. If adopted by the Legislature and the Governor, they would modernize antiquated technology systems, sustain the network of service providers in communities, and break unhealthy, destructive cycles among individuals and families.

The Social and Health Services Delivery System in Washington

Social and health services in Washington state are delivered to 1.4 million people, in every community in the state, through an interconnected system involving families, extended families, schools, faith-based organizations, 18,000 employees of DSHS, state and federal agencies, Tribal governments, local governments, and more than 100,000 business and community partners operating under contract to DSHS. For charts showing this system at a glance, see this DSHS web page:

<http://www1.dshs.wa.gov/WorkingTogether/wtwheel.html>

Most of DSHS's budget goes to service providers in Washington's communities



Resource Links:

- DSHS Homepage: <http://www1.dshs.wa.gov/>
- Details of DSHS 2005-07, Budget Request, September 2004: <http://www1.dshs.wa.gov/budget/Budget0507.shtml>
- Charts showing how DSHS services fit into community life: <http://www1.dshs.wa.gov/WorkingTogether/index.html>